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SOME PECULIARITIES OF ECONOMICS IN PANDEMIC CONDITIONS

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At the civil stage of the development of civilization, the world economy was affected by various impediments, including inflation, overproduction, wars and conflicts, anomalous processes, and more. At the beginning of 21st century, international economic and social characteristics were hampered by a global process called the pandemic which is caused by the COVID-19 virus. The pandemic was massive, rapidly spreading, and unpredictable in nature, affecting both developed and developing countries alike.

The impact of the pandemic on the economy is manifesting for longer than science and government figures can imagine. In the first 5 months of its inception, it directly affected up to 4 billion people. Supply and demand have plummeted, unemployment has risen, financial and resource problems have plagued more than one large company, sector and industry, trade and economic relations between countries have been disrupted for a long time, millions of people have died, and market relations have collapsed in some countries.

The international economy pandemic (COVID-19) has posed significant problems. The main challenges remain scale, unpredictability, rapid spread and other unknown factors. This is probably why different countries use unconventional, different and often hasty measures to compensate for economic damage, the main thing for them is to save lives.

However, the pandemic period lasts much longer than expected, states will develop strategies for economic recovery. Georgia is among them.

Measures are being taken in the country to ensure the maintenance of investment importance, alleviation of priority sectors and areas, infrastructure, social parameters, employment problems.

The present paper sets out the author's views on these issues, analyzes the approaches of some countries, and substantiates the issues of developing special mechanisms for the regulatory role of the state and the new regime of economic regulation.

Keywords: Covid, Pandemic, Restructuring, Global, Diversification, Strategy, Region, Municipality.

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პანდემიის პირობებში ეკონომიკის ზოგიერთი თავისებურებაები

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ცივილიზაციის განვითარების ცივილურ ეტაპზე მსოფლიო ეკონომიკაზე მოქმედებდა სხვადასხვა შემაფერხებელი ფაქტორები, მათ შორის ინფლაცია, ჭარბი წარმოება, ომები და კონფლიქტები, ანომალური პროცესები და სხვა. XXI საუკუნის დასაწყისში საერთაშორისო ეკონომიკური და სოციალური მახასიათებლები შეაფერხა გლობალურმა პროცესმა, რომელსაც ეწოდა პანდემია, COVID-19 სახელწოდების ვირუსი. პანდემია მასიურობით, სწრაფი გავრცელებით და არაპროგნოზირებადი ხასიათით აღმოჩნდა განსაკუთრებული და ერთნაირად მოიცვა როგორც განვითარებული, ასევე განვითარებადი ქვეყნები.

პანდემიის ზეგავლენა ეკონომიკაზე უფრო ხანგრძლივად ვლინდება, ვიდრე მეცნიერებები და სახელმწიფო მოღვაწეები წარმოიდგენენ. დასაწყისიდან პირველ 5 თვეში პირდაპირ შეუხო 4 მილიარდამდე ადამიანს. უკიდურესად შემცირდა მიწოდება და მოთხოვნა, გაიზარდა უმუშევრობა, ფინანსური და რესურსული პრობემები შეექმნა არა ერთ მსხვილ კომპანიას, სფეროსა და დარგს, ხანგრძლივად დაირღვა ქვეყნებს შორის სავაჭრო-ეკონომიკური ურთიერთობები, დაიღუპა მილიონობით ადამიანი, ცალკეულ ქვეყნებში მოიშალა საბაზრო ურთიერთობები.

საერთაშორისო ეკონომიკა პანდემიამ (COVID-19) მნიშვნელოვანი პრობლემების წინაშე დააყენა. მთავარ გამოწვევად კვლავ რჩება მასშტაბურობა, არაპროგნოზირება, სწრაფი გავრცელება და სხვა უცნობი ფაქტორები. სწორედ ალბათ ამიტომაც სხვადასხვა ქვეყნები ეკონომიკური ზიანის კომპენსაციის მიზნით არატრადიციულ, განსხვავებულ და ხშირად შედეგიანობის თვალსაზრისით ნაჩქარევ ღონისძიებებს იყენებენ, მათთვის მთავარი სიცოცხლის გადარჩენაა.

ამასთან, იმის გათვალისწინებით, რომ პანდემია გაცილებით დიდხანს გრძელდება, ვიდრე იყო ნავარაუდები, სახელმწიფოები შეიმუშავენ ეკონომიკურ ეროვნული მუხრნობის გაჯანსაღების სტრატეგიებს. მათ შორისაა საქართველოც.

ქვეყანაში ხორციელდება ღონისძიებები, რომლებიც

უზრუნველყოფენ საინვესტიციო მნიშვნელობის შენარჩუნებას, პრიორიტეტული დარგებისა და სფეროების, ინფრასტრუქტურის, სოციალური პარამეტრების, დასაქმების პრობლემების შემსუბუქებას.

წინამდებარე ნაშრომში აღნიშნულ საკითხებზე ჩამოყალიბებულია ავტორისეული შეხედულებები, გაანალიზებულია ზოგიერთი ქვეყნის მიდგომები, დასაბუთებულია სახელმწიფოს მარეგულირებელი როლის ქმედებისა და ეკონომიკის რეგულირების ახალი რეჟიმის გათვალისწინებით სპეციალური მექანიზმების შემუშავების საკითხები.

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INTRODUCTION

Despite the measures taken in Georgia, the delays caused by the COVID 19 pandemic, the damage to the economy and human well-being are still unpredictable and growing. Measures taken to save lives and prevent the spread of pandemics - a significant blow to the economic development of the country. [1]

The economic consequences of COVID-19 have proved to be a difficult challenge and a significant threat to the world and to Georgia, and not only to world health but also to the global economy.

According to the Asian Development Bank, a pandemic of \$ 77 billion (0.08% of GDP) to \$ 347 billion (0.4% of GDP) will hurt the world economy. According to the latest analysis proposed by the UN, the global economy will shrink by at least 2.5% after COVID-19, and the damage will reach about trillion dollars. In the worst case, that number could double. The biggest damage will be done to the countries that export oil and other goods. The economic growth rate of such countries is expected to decrease by at least 1%. [2]

According to the OSCE report, the world economy will shrink to 2.4% from the predicted 2.9%, which will be mainly due to the decline in world trade. Rabo Bank's Knowledge Centre reports even more negatively on the expected results and expects the global economy to shrink to 1.6% (at worst to 0.2%). Emerging economies should also expect significant financial losses. In just one month, direct flights to China and Iran were suspended. Flights also suspended between EU countries as well. Although expectations are different, mainly the economic impact on countries will develop by the following logic: the main economic shocks will be received by the countries with the highest rates of COVID-19 prevalence, followed by the countries whose economies are

most dependent on tourism, oil and other Exports of goods will continue to have a negative impact on the economies of their partner countries. [3]

Given the above, to determine the potential impact of COVID-19 on the Georgian economy, let's analyse the country's economic structure, partners and potential risks. We focused on the key sectors that are characterized by high economic permeability, which are the main areas of formation of a single gross domestic product, including sectors such as tourism, foreign direct investment, remittances and foreign trade. [4]

China, as the primary location for the spread of the virus, is considered to be the most infected. The economic consequences that followed the spread of COVID-19 have had a very severe impact on the Chinese economy. According to data released by the Chinese Customs Administration, China's foreign trade fell by 11% in the last two months (exports fell by 17.2% and imports by only 4%). China's trade with its largest partners also declined significantly: the European Union (14.2%), the United States (19.6%) and Japan (15.3%). It is also noteworthy that in the last two months, China's foreign trade recorded a deficit of \$ 7.09 billion (in the same months of the previous year, the increase in foreign trade amounted to \$ 41.45 billion). [5]

According to China National Statistics, China's manufacturing index fell 14.3 percent to 35.7 percent in February, which was conditioned by halted production by regions, extended vacations and quarantine conditions. According to a study by Kaixin, the production index fell to a record low of 40.3% in February. The Asian Development Bank forecasts that the COVID-19 epidemic will cost the Chinese economy \$ 42 billion at worst and that GDP will shrink by 1.74%. More negative results are expected with the forecast of Rabo Bank, according to which the growth of the Chinese economy will be reduced to 2.4% instead of the

assumed growth of 5.7%. [6]

According to Bloomberg, in the three months to March, economic performance will be lower than in the same period last year. The COVID-19 pandemic has had the worst impact on Italy among European countries. According to a February review published by the Italian National Statistics Agency, «the Italian economy is declining.» In the 4th quarter, GDP decreased by 0.3% compared to the previous quarter. The number of employed decreased in January compared to December and the number of unemployed increased slightly. In February, the consumer price index across the country also increased by about 0.4% compared to the previous month. January export growth of 2.3% was lower than the same period last year (+ 3.6%). Imports decreased significantly in January (-0.7% compared to + 6.1% increase in the same month of the previous year). [7]

According to the OSCE report, the Italian economy will continue to stagnate and will grow by 0% this year. This forecast was updated with the release of COVID-19, before that there was an expectation that the Italian economy would grow to 0.4%. Much more negative are the expectations of Rabo Bank, which forecasts a decline in the Italian economy to -1.6%. The Italian government has allocated \$ 28 billion to alleviate the crisis and reduce the negative effects of the pandemic. \$ 3.9 billion allocated from the budget for economic stimulus will be spent on subsidizing health services, while \$ 11 billion will be spent on helping families and employees. With the stimulus to the economy, Italy's budget deficit will inevitably exceed the EU limit (3% of GDP), which is likely to be the subject of appropriate response in the European institutions. [8]

Germany, like Italy, is one of the leaders in the number of COVID-19 cases in European countries. A review by the Kail Institute predicts a recession in the German economy of -0.1%,

which is significantly lower than expected in January (+ 1.1%). Particular damage will be done to the German economy in the first two quarters. And from the third quarter, the German economy will return to the previous bed. According to Rabo Bank, the recession will be more severe for Germany and the economy will shrink to 0.3%. Demand for private sector services / products is also expected to decline in the first half of the year. While household income will increase by about 2.3%, fears of a pandemic will still reduce private consumption. According to the Kail Institute, consumption will decrease to 0.5% in the first half of the year. Negative expectations apply to business investments, which are expected to decline to 0.9% year-on-year. For the first time since 2008, the Kail Institute expects 1% recession in exports. While a rapid recovery of the export sector is expected, the losses incurred in the first half of the year will not be offset by the positive results of the second half. The impact of the pandemic on the German economy is characterized by a forecast of V-shaped rehabilitation, which means that the downturn will be strong and painful, although the rehabilitation of the economy and its return to its original levels will be possible in a short time. [9]

The high vulnerability of the Georgian economy to the coronavirus pandemic is due to various factors. First of all, it is related to the structure of GDP, where the largest share in the sector comes from the economic activities that were most affected by the coronavirus - such as wholesale and retail trade (13.9%), real estate activities (11.4%), construction sector (8.3%).) And financial-insurance activities (6.1%). However, the stagnation of the tourism sector, which has been considered a cornerstone of economic development for years, has dealt a significant blow to both the labor market and the stability of the lari exchange rate - financial capital from tourism, remittances and foreign direct investment.

Another circumstance that led to high economic destabilization under the coronavirus is related to the structure of the labor market, where the number of employees is equal to the number of self-employed in the informal sector, while the number of self-employed is high. Proportion of employees in precarious and unstable services, such as service sector, seasonal employment or other. Under these circumstances, it is not surprising that a radical increase in unemployment is expected, where 30% of the total number of employees are at high risk of losing their jobs, while 83.5% of the self-employed will have to deal with falling incomes and reduced economic opportunities.

We have a situation in Georgia today, when our balance of payments largely depended on the tourism sector and remittances from abroad. Added to this was the country's negative trade deficit (the difference between the country's total exports and imports), which was largely offset by tourism and remittances. And today we are facing a domino effect of crises - the collapse of tourism has increased unemployment, falling incomes, reduced overall domestic demand and consequently reduced budget revenues. Added to this is the problem of lari balancing and the growing negative impact of dollarization on households or people who have borrowed in dollars (approximately 70% of total loans issued). [10]

Today, the issue of financial and banking sector survival is high on the agenda, as they account for the largest share of non-core businesses. Delays in the financial sector will lead to the suspension of some businesses, which will further increase unemployment, hampering the business's innovative challenges. We believe that it is important for the state to take even more effective regulatory measures to maintain the healthy condition of financial institutions, to

provide businesses with some kind of guarantee mechanisms, to create favorable, stimulating environmental processes.

We believe that three important steps need to be taken to revitalize the economy - first, the economic system to ensure a minimum consumer basket and increase social packages, the introduction of unemployment compensation mechanisms; On the other hand, it is important to understand what type of economy we have and to start developing and implementing a strategy for structural change. This process should address the investment policies of all sectors and areas, the priorities of targeted programs, the principles of diversification. The third step should be to develop a consistent political vision and approach to economic development, the purpose of international investment attractiveness, to raise the image of the domestic business with the optimal involvement of local resources. [11]

All of the these will have more potential than just an attempt to stabilize .The state can use different ways of intervention. An example is the approach when cash is given to families (this is referred to as" helicopter money" and is used by America). Such approaches could solve short-term problems and significantly stabilize their income, although this would not be an in-depth answer to existing problems. The state should try to provide investment for the transformation of the economy, we mean the initiation or support of economic projects (infrastructure, manufacturing, industrial or other) that provide employment and income for people, as well as restructuring the economy. [12]

Unfortunately, our country does not yet have a long-term strategy for economic transformation, therefore, opportunities for the development of priority sectors, professions, regions, municipalities, the main characteristics have not been developed.

The pandemic has brought to the fore economic and social problems that have accumulated over the decades. From an economic and budgetary point of view, this is a problem of small incomes - the ratio of tax revenues to GDP was only 22%, and gradually it will decrease even more. In terms of taxes, this is a limitation of the tax base and unfair distribution - the state does not use levers such as property taxes (a very small share of total budget revenues come from this tax), profit tax (according to which Georgia is the third largest in the world, if only the total budget). 9.9%, which is a fairly low rate), and a progressive tax, which would be the budget revenue extracted from employees in the most high-income sectors. We should not forget to pay dividend tax, which is up to 5% today. The state tax system, which should become one of the main tools for mobilizing and coordinating resources, needs to be changed. In the social direction, the other side of the delays is also the underdeveloped employment market structure. In particular, the high rate of self-employment, which not only creates an army of low-income, but also leaves such people behind the social policy of the state and creates problems in identifying these people. [13]

Under the coronavirus, it has become legitimate in almost all countries to talk about the role of the state in the economy - primarily in the healthcare sector. The current success of the healthcare sector is not directly related to the health of this sector, but to the correct positioning of the state and the high professionalism of the individuals here. Increased demand for business promotion by the state was also on the agenda. However, we should not look at the policy of import substitution or promotion of local production unequivocally positive, as it can be accompanied by many dangers. There may be a danger that certain businesses will start «hunting» for state protection for unscrupulous motives. Coronavirus

has shown us that elites are no less concerned with these problems than other members of society. Therefore, our function in these conditions should be maximum involvement in the processes, so that the current changes - the active participation of the state in economic policy, health policy, or labor relations - are not temporary and one-time. [14]

We believe that the emergence of a significant amount of free cash resources in the country forms the basis for lobbying for spheres of influence and subjective interests, for example, information on spending \$ 4 billion after the August war is still missing because it was an opaque process. The society should demand from the state that the processes be as transparent as possible. If the banking policy established so far was not focused on financing the real sectors of the economy and their motivation was consumption financing (for example, from 2003 to 2020, 49% of loans were issued to households, 16-17% to trade, 12% to production and 1.5% to agriculture), today, due to the coronavirus, they will have to rearrange for the priority development of agriculture and local production. The most important thing here is what the restructuring will be like and what the role of the state will be here. Due to the fact today the state does not have the mechanisms to ensure the placement of monetary resources in the economy and is forced to use banks, the coordinating role of the state should be sharply increased. In this process, it is also important to completely rule out corruption and misconduct. [15]

In our view, investing large sums of money in the economy and the agricultural sector at the same time can lead to two negative processes: extreme farming, which can lead to economic inefficiency (for example, many small businesses produce small products), or, in some cases, extreme business and create the problem of monopolies. The role of the state is important here, so that neither efficiency

is low nor social inequality increases. It is with the active involvement of the state that various social problems can be solved.

The pandemic has also shown the shortcomings that the economy has with its structural arrangement, financial system, social policy, and so on. If we talk specifically about currency stability, price changes and the policy of the National Bank, there are also threats related to the depreciation of the lari, rising inflation and the reduction of the country's reserve resources. It became necessary to finance foreign programs in foreign currency to finance emergency programs. The current situation has convinced us that without foreign debt, Georgia could have mobilized very few resources within the country. Unfortunately, the anti-crisis plan proposed by the government envisages that today we are talking not about solving the big and accumulated problems, but about postponing them. An alternative to this would be its main distinguishing feature from the formation of development financial institutions from a commercial bank would be that such institutions are not a priori profit-oriented and typically invest in areas of the economy that may be risky and priority. [16]

The problems posed by the coronavirus have once again shown us that the existing social protection systems are at odds with our economic situation and human needs. First, the crisis highlighted the need for basic income insurance, which is the most acute today for people who have lost their jobs and become unemployed. Here we may not necessarily be talking about unemployment insurance, but rather its alternative, which involves unemployment benefits. Unfortunately, today we only have a subsistence allowance system, which is the only social security net and whose structure leaves a large proportion of people behind that net. [17]

It would be appropriate to discuss not the simplification of the existing subsistence allowance procedures, but the introduction of an unemployment benefit, which will be financed from general taxes and the budget. The difference between an unemployment benefit and a subsistence allowance is emphasized here - the person receiving the unemployment benefit is involved in the job search process and is helped by employment agencies to find a job, undergo various trainings and be professionally trained. Accordingly, the recipient of this allowance is considered a job seeker. We consider it important to strengthen the integration of private and state resources.

CONCLUSION

1. Develop a strategy for economic transformation and diversification and monitoring standards, tools, including at the regional level;
2. Develop mechanisms for the integration of private and state resources and effective relations in order to alleviate the economic and social problems caused by the pandemic;
3. To expand the scope of joint targeted programs in order to improve the priority areas and to define effective mechanisms for their implementation;
4. Determine the scale of the main pandemic mitigation projects and manage the necessary resources to be provided by local structures taking into account the specifics and specifics;
5. We believe that in order to overcome the challenge of the post-pandemic period, the role of the state regulator and stimulus should be increased in the direction of effective use of local resources. Accordingly, the development strategies of municipalities (regions) taking into account the new reality.

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